

**GOVERNMENT OF INDIA
COAL AND MINES
LOK SABHA**

UNSTARRED QUESTION NO:3593
ANSWERED ON:20.08.2004
PRODUCTION OF UREA BY NLC TAMIL NADU
Kharventhan Shri Salarapatty Kuppusamy

Will the Minister of COAL AND MINES be pleased to state:

- (a) Whether the fertilizer plant of Neyveli Lignite Corporation (NLC) in Tamil Nadu has stopped producing urea;
- (b) If so, the reasons therefor ;
- (c) Whether the Government proposes to restart production of urea by this plant;
- (d) If so, the details thereof; and
- (e) If not, the reasons therefor?

Answer

MINISTER OF STATE FOR COAL AND MINES (DR. DASARI NARAYANA RAO)

(a) Yes, Sir.

(b) NLC's fertilizer plant could not achieve its optimum capacity due to some deficiencies in lignite gasification. To overcome this problem, NLC switched over to oil gasification with furnace oil as feedstock. However, the plant continued incurring losses and its cumulative losses as on 31.3.2002 stood at Rs.393.90 crores. NLC then appointed M/s. ICICI as consultant for evaluating the commercial feasibility of the plant. M/s. ICICI recommended for disinvestment of the plant to third parties or for the closure of the plant owing to low capacity resulting in low economies of scale, low capacity utilisation, inefficient feed-stock and outdated technology, high energy consumption, high vintage of the plant and high cost of production coupled with unremunerative retention price.

The NLC Board noted the recommendations of M/s ICICI and approved the closure of fertiliser plant. Accordingly, the fertiliser plant was closed in January, 2003.

(c) No, Sir.

(d) Does not arise in view of (c) above.

(e) The urea plant is not commercially viable.